

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2381 – SB 2364

March 23, 2016

SUMMARY OF ORIGINAL BILL: Sunsets the Hamilton County water and wastewater treatment authority, granted pursuant to the Water and Wastewater Treatment Authority Act, effective July 1, 2021.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures – Exceeds \$10,000/FY21-22*

SUMMARY OF AMENDMENTS (014031, 014043): Amendment 014031 adds language to the bill to: (1) require each water and wastewater treatment authority to be subject to audits by the Comptroller of Treasury (COT); (2) require each authority to be responsible for reimbursement of costs of audits; and (3) require the results of any audit, including responses by the board of commissioners governing the authority, to be published on the website of the COT within 30 days of such audit completion.

Amendment 014043 changes the sunset date of the Hamilton County water and wastewater treatment authority, from July 1, 2021, to July 1, 2019.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase Local Expenditures – Exceeds \$10,000/FY19-20*

Assumptions for the bill as amended:

- The proposed bill as amended sunsets the authority granted for water and waste water treatment created in Hamilton County.
- The Hamilton County Water and Wastewater Treatment Authority (HCWWTA) regulates the quality of water discharged into the wastewater collection system and treatment works, regulates the quality of construction of extensions to the sewer, and encourages the expansion of sewers of the wastewater collection system for eight local governments.
- According to the Department of Environment and Conservation (TDEC), the HCWWTA currently has two outstanding loans totaling \$10,000,000 from the safe water revolving

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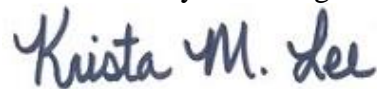
fund, and it is estimated that \$6,000,000 will not be paid off until after 2019. However, it is assumed that all obligations will be settled prior to the dissolution of the Authority or such obligations will be allocated among the participating local governments. Any impact on the State Revolving Fund loan program is estimated to be not significant.

- According to local sources, the proposed bill as amended will likely have a fiscal impact on municipalities in Hamilton County that use HCWWTA. It is unknown how significant the impact will be once the HCWWTA sunsets because it is unknown who will provide sewer services, terms of any new service provider contract, if the provider will have the necessary equipment to provide the service, and what entity will absorb the costs.
- However, it is reasonably estimated that a one-time mandatory increase in local expenditures estimated to exceed \$10,000 will be incurred during the transition from the current HCWWTA to a new provider; such one-time expenses are assumed to occur in FY19-20.
- The proposed bill as amended makes water and wastewater treatment authorities subject to audit by the COT.
- According to the COT, the audits of water and wastewater treatment authorities are already contracted and approved by the COT's Division of Local Government Audit and the results are already posted on COT's website. As a result, any increase in state expenditures to the COT will be not significant.
- According to the COT, existing authorities are already incurring audit costs so this legislation will not increase expenditures for water and wastewater authorities.

Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/tdb